

**OECD Cologne Conference on Rural Service Delivery
April 3, 2008**

**OPENING SESSION: RURAL SERVICE DELIVERY:
TRENDS AND CHALLENGES**

- ***Welcoming Remarks:* Eckhard Uhlenberg**, Minister for Environment and Agriculture in Northrhine Westfalia
- ***Chair:* Odile Sallard** Director, Public Governance and Territorial Development Directorate, OECD

<i>Speakers</i> GERMANY:	Gert Lindemann , Secretary of State, Federal Ministry of Food, Agriculture and Consumer Protection
UNITED STATES:	Thomas C. Dorr , Under Secretary for Rural Development, USDA
SCOTLAND, UK.	Richard Lohead , Cabinet Secretary for Rural Affairs and the Environment
MEXICO:	Gustavo Merino Juárez , Vice Minister of Social Development
OECD/TDPC:	Mark Drabenstott , Chair, Territorial Development Policy Committee, OECD

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Plenary Session
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**Thomas C. Dorr
Under Secretary for Rural Development
Remarks (12-15 minutes)**

Good morning. Thank you, Mrs. Sallard, for that very generous introduction. It is a distinct pleasure to be with you today.

Ronald Reagan famously remarked that the closest thing on this earth to eternal life is a government program. There was ... and still is ... considerable truth in that observation.

It is also true that very often one of the hardest things on this earth to do is to substantially change a government program.

Yet as we all understand, despite the obstacles, change is essential. We are here to discuss evolving models for providing public services in rural areas. The forces of inertia are substantial. But the opportunity is great, and the costs of inaction are high. Again, change is essential.

The parameters of course vary from one country to another. National circumstances differ. In the United States, the discussion begins with diversity. Rural America is home to some 60 million people in a land area larger than Europe west of Russia. One size does not fit all.

Regional opportunities vary widely. Rural America contains some areas of deep and prolonged distress ... areas that still suffer from geographical isolation and significant structural deficits.

But it also contains many of America's fastest growing communities ... a fact which is sometimes overlooked because we "graduate" many of our success stories. An area that grows beyond a relatively low threshold ceases by definition to be "rural" and falls out of the statistical picture.

Looking at the broad picture, growth -- not failure -- is the norm. That is one of the blessings that flow to free people through free markets. We are confident, with good reason, that we can better our circumstances.

When we discuss the delivery of services to rural areas, therefore, the issue should not be how much deadweight government can carry. The issue is how to stimulate growth so that communities can cope for themselves.

Science and technology are in fact opening the door to a better future. It is important that we be willing to walk through that door, and seize the opportunity. The foundation of quality services in rural areas is ultimately not government ... it is a growing economy.

The tools are available. For rural communities, broadband and distributed computing are leveling the playing field. They slash costs. They allow rural and small businesses to compete in global markets. They encourage economic diversification. They allow distributed networks to achieve economies of scale.

Many of the structural barriers, in fact, to providing better services to rural areas ... for example, in health care and education ... are already being substantially reduced through technology.

Biotechnology is another new and rapidly expanding frontier. This touches many sectors of the economy. For agriculture, it holds great promise for increasing yields, reducing input costs, and multiplying the potential of biofuels and other biobased products. This is an area where the U.S. and the European perceptions differ. I would simply say that

an irrational fear of change ... very often, nothing more than a thinly camouflaged aversion to competitive markets ... should not be allowed to block extraordinary productivity gains founded on sound science.

Renewable energy is another historic opportunity. If the United States is able to displace just one billion barrels of imported oil with biofuels, that alone is a new market larger than today's net farm income ... which is, by the way, at an historic high.

It is important for our discussion today to recognize these factors, because they bear directly on the capacity of rural communities to help themselves. This influences the developmental models we choose.

The choice, I would submit, is ultimately defeatism versus optimism ... between a passive dependency on the one hand, and a willingness to embrace private and local initiative, investment-based strategies, and risk.

These are important choices. But in making them, I would submit to you that rural America has good reason for optimism. The growth in U.S. farm equity alone over the last ten years exceeds \$1 trillion, an amount larger than the GDP of all but the world's ten largest economies.

Very clearly, despite regional differences and lingering structural deficits in some places, rural America as a whole is dynamic and growing. Much of it is actually awash in investment capital. USDA Rural Development is therefore, both by choice and by necessity, an agency in transition.

We are by statute the lead agency at the federal level concerned with community and economic development in rural America. We have a portfolio in excess of \$100 billion invested in rural infrastructure, housing, community facilities, and businesses.

We recognize, however, that we cannot stand still. If we remain nothing more than a traditional provider of traditional programs via traditional methods, we will quickly become irrelevant. Our response to the new environment facing rural America therefore takes several forms.

First, since the beginning of the Bush Administration, we have placed a very high emphasis on State autonomy. Our 47 State Directors are essentially CEO's of their State Rural Development offices. We believe

it is essential to give our associates in the field the flexibility they need to identify regional opportunities and craft appropriate strategies.

Secondly, as I have already suggested, we recognize that dependency is a trap. For 75 years, rural America, especially agriculture, has been encouraged to rely on federal dollars and federal guarantees. With the best intentions in the world, government has undermined initiative and sponsored a culture of dependency. That needs to change.

The fact is, most rural services are delivered, not by the federal government, but by State and local governments. Most jobs are created in the private sector. USDA Rural Development is a relatively small agency. Our current operating budget is \$2.3 billion. That is approximately one-tenth of one percent of current net farm equity.

I repeat: our budget is one-tenth of one percent of net farm equity ... which is itself just a fraction of total rural financial capacity.

When rural America's own financial capacity exceeds the available federal resources by several orders of magnitude, it's clear that queuing up and waiting for a federal grant is simply a prescription for paralysis.

As an agency, therefore, we are steadily shifting our emphasis away from grants to loans and, when possible, loan guarantees. This is working.

By aggressively using the credit tools available to us, over the past 10 years we have nearly doubled our program level despite an essentially flat budget. I mentioned a moment ago that our budget authority this year is \$2.3 billion. Through leveraging, however, we will actually generate a net investment of \$18.5 billion, a multiplier of 8-1.

But more important than the raw numbers, we are using our resources to incentivize cost-sharing, local initiative, and self-help. As the saying goes, give a man a fish and you have fed him for a day. Teach a man to fish and you have fed him for a lifetime. We're teaching rural communities, rural lenders, and rural entrepreneurs to fish.

Last but not least, we have imposed the discipline of reform upon ourselves. We have consolidated offices and reduced staff. We are streamlining programs. We have developed a new tool, the Socio-Economic Benefits Assessment System (SEBAS), to directly measure results, increase accountability, and improve the targeting of resources. We have become smaller, leaner, and more market oriented.

We strive to be a good partner, but we encourage the businesses and communities with which we partner to lead ... and again, to lead tangibly by bringing more of their own dollars to the table.

I am gratified that a number of our traditional partners, including several of the major farm organizations, are now supportive of these initiatives. We have worked hard to change attitudes.

And I am proud that we have done all of this, once again, while still nearly doubling our net investment in rural America over the past ten years. These kinds of productivity gains are commonplace in private industry. They are rare in government. But they are essential.

In the end, this is a very simple thing. Our goal after all is simply to create rural communities to which our own children might choose some day to return. After they've gone away to school ... after they've seen the world and explored other opportunities ... is rural America a place that offers them a competitive choice? That's the rural America we want to build. That world can't be built on a dependency culture. It has to be built on growth and opportunity. Thank you.